



## **Employer Desk Guide**

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## **Frequently Asked Questions**

### **Unemployment Insurance in Indiana**

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#### **What is Unemployment Insurance?**

Unemployment Insurance (UI) is a federal-state program developed and financed through the Federal Unemployment Tax Act (FUTA) and paid by employer's state insurance contributions. Benefits are paid to employees that are unemployed through no fault of their own and allows laid off employees to remain in the area so they will be available for re-employment. The program stabilizes the local and state economy by preventing a sharp drop in consumer spending during periods of unemployment

#### **Who pays Unemployment Insurance?**

Employers pay quarterly UI contributions once the employer qualification has been met under the IC 22-4-7. You must register with Indiana Department of Workforce Development for an employer account. The employer pays the UI contribution and it is not deducted from the employee's wages

#### **Who is an Employer?**

An employer is an individual or an organization that pays wages or compensation to an individual in exchange for the performance of services, and subject to the law under a qualifying section of the Indiana Code 22-4-7.

**What is a Reimbursable Employer? What taxes do they pay?**

Non-profit organizations may choose to reimburse the UI Trust Fund for benefit payments. A non-profit organization must meet the criteria defined in the IRS Code, Section 501c-3; provide a copy of the IRS exemption letter and a State Form 1065, Election To Pay Tax Or To Become Liable. Once you qualify as a reimbursable employer you will keep this status for a period of two year, at that time you may elect to become a taxable employer. A reimbursable employer must also file quarterly gross wages on the UC-1, and a UC-5 report.

A reimbursable employer must pay into the UI Trust Fund an amount equal to the benefits charged to your account. You will be charged for all benefits paid to former employees regardless of the reason they left your employment.

**Do I qualify as a Reimbursable Account?**

Indiana employer accounts are set up as either a taxable (or rated) account or as a reimbursable account. Taxable accounts are the most common. Taxable employers are required to pay their contributions (tax) on a quarterly basis. Employers that qualify under 7-2(g) and 7-2(h) have the option to be reimbursable. Reimbursable employers are billed on a monthly basis for any benefit claims charged to their account rather than paying contributions on a quarterly basis. Reimbursable employers must file UC-1 and UC-5 quarterly reports.

**Who is an Employee?**

An employee is an individual who performs a service for a person or organization under a contract of hire. One test applied to determine if an individual is an employee verses an independent contractor is: Does the individual or organization for which the service is performed have the legal right to control the way in which the service is carried out? It is only the right to control that is important; it is not necessary that the control is ever exercised.

**What are Wages?**

Wages consist of all remuneration paid for services performed and encompass salaries, bonuses, commissions, vacation pay, retroactive pay increases, and any other payments made by an employer, unless exempted. The term wages also includes the cash value of any asset that is given an employee as compensation for his/her services.

**Who must register with the Indiana Department of Workforce Development (DWD)?**

A new employer who is subject to UI by Indiana Code 22-4-7. Any employer who acquires an existing business (you cannot use the prior owner's account number – You must also apply for a new federal identification number with the Internal Revenue Service.

An entity change that occurs any time you change from one type of ownership to another. The change from a sole proprietor to a corporation or a partnership is a type of entity change. Changing stock ownership in a corporation is not an entity change. Report entity changes to DWD to determine if a new account is needed.

**How do I register?**

Once an employer is subject to the law he/she must file an application, State Form 2837, Report To Determine Status, with the agency. An individual employer account number will be assigned and the employer begins filing quarterly contribution reports (UC1), and quarterly wage reports (UC5). Failure to register does not relieve an employer of his/her responsibility to remit UI Taxes timely.

**What will be my rate and what do I pay?**

A new employer rate will be 2.7 percent for thirty-six (36) months, based on the fiscal year beginning July 1<sup>st</sup> and ending June 30. After the employer has 36 months experience with the agency he/she will qualify for a system calculation.

For the experienced employer Indiana has a variable tax rate based on each employer's individual unemployment account history and the past year's statewide unemployment activity.

Each employer will pay his assigned merit rate on the first \$7,000 of wages per employee, per year. Anything over \$7,000 is considered excess wages and excess wages are exempt from UI tax.

**My business is a corporation, and I am a corporate officer. Do I have to report the wages that I earn from my corporation?**

Your corporation is a legal entity that employs you. *Covered wages* that you earn from the corporation are the *wage credits* needed to file an application for *unemployment benefits*.

The amount of *unemployment benefits* available to you will depend on the wage credits you receive from the corporation and the conditions of your separation from employment.

**May I get UI coverage for my workers if I'm not a covered employer?**

Yes, if you do not qualify as a covered employer but want UI coverage for your workers, you may apply for voluntary coverage. If voluntary coverage is approved you must cover your employees for at least two years.

**What records do I have to keep?**

For Unemployment Insurance purposes, you must keep a record of:

- Beginning and ending date of each pay period.

- Total wages paid during each pay period.

- Number of employees on the 12<sup>th</sup> day of each month and total number of employees each quarter.

- Each employee's name, social security number and wages for each pay period.

- Date each employee was hired, re-hired or returned to work after a temporary lay-off.

- Date an employee was terminated and the cause of the termination.



**Why can't I treat my workers as independent contractors?**

The status of your workers is determined by the amount of control that you have over the manner in which they perform services for you. Generally, if you control the way the services are performed and have the right to discharge the worker, you are an employer.

The Act utilizes a three-part test, commonly referred to as the A-B-C test, to determine whether the employment relationship exists (IC 22-4-8-1). When applying the test the employment relationship will be found to exist unless and until it can be shown that the individual(s) performing the service(s) are, and have been:

- A. Free from direction and control
- B. Performing a service or services which are outside the usual course of the business
- C. Customarily engaged in an independently established trade, occupation, profession or business of the same nature as that involved in the service performed.



## **Qualifying as an Employer**

You are required to pay SUTA if you qualify under any of the following definitions of "employer".

### **Summary of laws and regulations governing the State Unemployment Tax Act (SUTA)**

#### **Regular Business Entity--IC 22-4-7-1**

1. If you have an employee for some part of a day, in each of twenty weeks during a calendar year; or
2. If you pay \$1,500, or more, in gross wages during a calendar quarter.

#### **FUTA Liable-IC 22-4-7 -2(f)**

Any employing unit liable for any FUTA tax in another state is immediately liable when employment starts in Indiana.

#### **Voluntary Election-IC 22.4-7-2(d)**

If you are not an employer under any other section of Indiana Code, then the employing unit can elect to become fully subject to this article to the same extent as any other employer.

#### **Agricultural Employer – IC 22-4-7-2(e)**

If you have agricultural employees, and pay \$20,000, or more, in cash wages in a calendar quarter; or if you have ten (10) or more agricultural employees for some part of a day in each of twenty (20) weeks during a calendar year.

#### **Governmental Employer--IC 22-4-7-2(g)**

Service performed by an individual in the employment of this state or any government entity. Exclusions are elected officials, members of a legislative or judiciary body, members of the state National Guard or Air National Guard, employees serving on a temporary basis in the case of an emergency, or individuals designated as a major non-tenured policy making or advisory position.

#### **Not-for-Profit Employer-IC 22-4-7-2(h)**

Employers (religious, educational, charitable) exempt from FUTA solely by reason of Section 3306(c)(8) of that act, not-for-profit organization under 501(c-3) which employ four (4) or more individuals for some portion of a day in each of twenty (20) different weeks during the calendar year.

#### **Domestic Employer-IC 22-4-7-2(i)**

If you have hired household help of any kind and have paid a total of \$1,000, or more, in wages in any calendar quarter in a calendar year.



## **Reporting Information**

### **Quarterly reports (UC1 and UC5)**

After an employer has been issued an account number, quarterly reports (UC1 quarterly contribution reports and UC5 quarterly wage reports) will be automatically forwarded to the business address at the end of each calendar quarter. It is the employer's responsibility to monitor the receipt of quarterly reports. If they are not received you should call (317) 232-7436 to request the missing quarterly report.

Indiana Code 22-4-9-1 clearly states, *"...if you are liable for any part of a calendar year, you are liable for the entire year..."* If you qualify in one quarter in a calendar year you must report all payrolls during that calendar year. You will receive quarterly reports based on information we received to set up your account. If you receive a quarterly report for a quarter in which there was no payroll to report, write "Nothing to Report," on the quarterly -report and return via mail or file on line.

Payroll must be reported for the quarter in which it was paid. Benefits are determined on quarterly wages; therefore, payroll cannot be reported in only one quarter for the entire year.



## **State Unemployment Tax Act**

The State Unemployment Tax Act (SUTA) tax rating system in Indiana provides for variable tax rates for employers, based on each employer's individual unemployment account history and the past year's statewide unemployment activity. A separate account is maintained for every reporting employer. A ratio is calculated for each employer based on their account balance and recent taxable wages reported. This calculated ratio is applied to a rate schedule, determined each year by the unemployment activity within the state, which determines each individual employer's tax rate for the year.

Other factors, including benefits paid to former employees, voluntary payments made, and the partial selling and purchasing of other businesses by the employer also impact each employer's rate. Employer tax rates may also be affected by provisions of the law, which involve the employer's length of time subject to SUTA, recent reporting activity and delinquent report/tax status.

While FUTA is a fixed tax, SUTA is determined by using an experience rating system. This is similar to business insurance in that a risk assessment is made each year before the tax rate is assigned for the following year.





## **Buying or selling a business**

### **Complete transfer of Indiana operations--IC 22-4-7-2(a)**

If you are a new employer to the State of Indiana, or if you are already paying Indiana SUTA, and you:

1. Acquire (purchase, lease, or take control of) substantially all the assets of an Indiana operation, which results in the continuance of an organization, trade, or business; or
2. Were issued a new federal identification number, merged, incorporated, or reorganized your business in any manner,

You immediately qualify for SUTA coverage and assume the tax position of the previous owner/dispenser. The acquirer receives the experience account balance and tax rate of the previous owner and is entitled to consider the wages previously reported by the dispenser when computing the \$7,000 tax base per employee, per calendar year of those employees retained by the new owner.

Any outstanding tax liabilities are also carried forward from the previous owner to the new owner.

The Successor/acquirer must complete State Form 2837, Report to Determine Status, and the Predecessor/dispenser must complete State Form 46799, Report of Transfer – Complete Sale.

### **Partial transfer of Indiana Operations-IC 22-4-7-2(b)**

If you purchased a distinct and segregable portion of an organization, trade, or business and retained employees of the business, you will be entitled to consider the wages reported by the previous owner/dispenser when computing the \$7,000 tax base per employee, per calendar year.

The previous owner/dispenser must transfer part of the experience balance and the rate of their account to the successor/acquirer. This must be done within thirty (30) days from the date of disposition, or not later than ten (10) days after notification from this **agency**.

Complete State Form 23299 (Report of Transfer-Partial Sale). Failure to complete this form will result in a departmental decision of a flat 50% percent to be transferred to the acquirer's experience balance.

If the transfer occurs during a calendar quarter, two quarterly reports must be filed: one report for wages paid by the Predecessor/dispenser, from the first date in the quarter until the date of disposition; the UC-1/5 and liability are due immediately following the disposition date. The Successor/acquirer files the UC1/5 from the date of disposition to the end of the quarter on the due date of 30 days after the quarter.

If the successor/acquirer has an existing account with DWD, the successor/ acquirer's merit rate will be retained for the calendar year of the acquisition.

The forms may be found on the DWD Web Site, <http://www.in.gov/dwd>



## **Seasonal Employer**

A seasonal employer is defined by Indiana law as one who operates all or part of a business for recurring periods of less than 26 weeks in a calendar year due to either the seasonal nature of the business or climatic conditions.

In order to be considered a seasonal employer for unemployment insurance tax purposes, the employer must file the Request for Seasonal Determination, form 2003, with DWD. Seasonal employers must reapply every years to keep their seasonal status. The Determination will be will be made within 90 days after receipt of the application.

In order to qualify as a seasonal employer for a portion of a business, that portion must be identifiable as a functionally distinct operation. For example, a municipally owned golf course would be considered a portion of the operation of the municipality; and if it is in operation less than 26 weeks each calendar year, the golf course could qualify as a seasonal employer.

### **Loss of seasonal employer status**

When a seasonal operation exceeds 25 weeks in a calendar year, the employer must give DWD written notice within 30 days after the end of the 26th week of operation.

The seasonal status is automatically lost for the period of operation after that calendar quarter. Wages paid in this period are usable as regular wages to establish unemployment insurance claims.

An employer who has lost the designation of "seasonal employer" may apply to DWD for reinstatement in any calendar year after the year in which the designation was revoked.

Seasonal status will automatically be revoked after two years and the employer must resubmit the Seasonal application to maintain Seasonal status. The Seasonal application can be found on our Web Site, or you may file online after August of 2006.



## **Collections and Legal Actions**

A penalty charge of 10% of the contribution will be assessed if your quarterly tax is not paid on or before the due date, and you will be charged 1 % interest on the tax amount due for each month outstanding. In addition a penalty of 50% will be assessed if it is found that the employer committed fraud with intent to evade payment.

If the quarterly report is received without payment or only a partial payment is received, a Notice and Demand will be sent to the employer. This notice will include any outstanding contribution, interest, and penalty for a total liability due for that quarter. Failure to pay a Notice and Demand will result in additional collection activities by DWD. If a written response/protest is not mailed within 18 days from the date of the Notice and Demand the assessment will become final and will be due and owing. If there are questions concerning the amount, please contact DWD immediately.

Delinquent contributions, interest, and penalty charges may lead to the creation of a lien on an employer's real estate and property.

Indiana law also defines the following as misdemeanors:

- Encouragement or inducement of an individual to waive or forego benefits rights; and,
- Failure to testify or to answer any lawful inquiry.

The law also provides a general penalty for any person who willfully violates any provision of the Indiana Department of Workforce Development Act of the rules and regulation of the Unemployment Insurance Board.



## UI Rate Computation How is my rate determined?

### **Step 1.**

- **Determine the applicable Rate Schedule**

The Indiana Code (22-4-11-3.3) provides that one of five rate schedules for the next year (2006) be adopted that corresponds to the ratio resulting when the Unemployment Insurance Trust Fund balance, as of September 30<sup>th</sup> of the current year (2005), is divided by the total payroll of all subject employers for the prior calendar year (2004). Schedule "A" is applicable for Calendar year 2006.

#### **The Fund Ratio Schedule and determining the applicable Rate Schedule**

The fund ratio is a numerical evaluation of the UI Trust Fund in which the balance in the Trust Fund as of September 30 is divided by the total payroll of all liable Indiana employers for the preceding calendar year. The fund ratio is applied to the Fund Ratio Schedule to determine the applicable rate schedule.

Unemployment insurance Benefit Trust Fund Balance as of computation date	
<b>FUND RATIO =</b>	$\frac{\text{Unemployment insurance Benefit Trust Fund Balance as of computation date}}{\text{Total payroll of all subject employers for the immediately preceding calendar year}}$

### **Fund Ratio Schedule**

*When the Fund Ratio is:*

<u>As much as</u>	<u>But less than</u>	<u>Applicable Schedule</u>
	1.00%	A
1.00%	1.50%	B
1.50%	2.25%	C
2.25%	3.00%	D



## **Step 2**

- **Identifying individual employer contribution Rates**

The unemployment insurance contribution rates for the following year are Computed based on each employer's account status as of June 30—the computation date—and the past thirty-six (36) months payroll. In order to qualify for a merit rate or low rate the following requirements must be met.

- A. (New Employer) The employer must have been liable and an active operating employer throughout the 36 consecutive calendar months immediately preceding the June 30<sup>th</sup>, computation date.
- B. The employer must have some wages in each of the three 12 month periods immediately preceding the June 30, computation date.
- C. Employer must submit timely all required quarterly reports and pay all contributions, interest and penalty due and owing. The employer who has not filed all required quarterly reports through the computation date, or has failed to pay the contributions, interest, or penalty owed for those quarters, fail this requirement. If applicable, you are notified by a Merit Rate Delinquency Letter (Form 1171). If you did not respond to resolve the issue within 10 days from the date of the merit rate delinquency notification you will receive the penalty rate. Indiana Code 22-4-11-2(c) states that an “employer’s rate shall not be less than 5.4%” for failure to comply”. This rate is divided into two parts, a contribution tax rate and a penalty rate, which together equal 5.6% for 2006. Indiana Code 22-4-25-1 provides that all penalty monies collected shall be deposited into the Special Employment and Training Services Fund administered by the Unemployment Insurance Board.

Employers that meet the requirements A, B, or C then qualify for a system calculation based on their own merit and experience balance.



### **Step 3.**

- **Determining experience rate ratio and contribution rate**

Employers with credit reserve balances (state UI taxes paid exceed benefits charged) to their account are evaluated by comparing this balance with the prior thirty-six (36) months total taxable wages reported, giving the credit reserve ratio. This ratio is used to determine each individual employer's tax rate according the rate schedule for accounts with credit balances. The tax rates will range from 1.1 percent to 4.1 percent for these employers depending upon the schedule in effect for the year.

**A. Credit balance experience accounts**

The experience account credit balance as of the computation date, June 30<sup>th</sup>, (includes all timely contribution payments made for the quarter in which the computation occurs) is divided by the total taxable wages of the employer or predecessors for employment during the thirty-six (36) months immediately preceding the computation date. The credit reserve ratio results from this calculation.

Credit Reserve = Ratio	$\frac{\text{Experience Account credit balance as of computation date}}{\text{Total taxable wages paid by the employer or predecessors for employment during the thirty-six (36) months immediately preceding the computation date}}$
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*Example Credit Ratio: Experience Balance divided by the 36 month payroll equals a ratio. The ratio is then applied to the applicable schedule listed below, and this is his rate for the next year effective 1-1-YY.*



### Credit Balance Schedules

#### RATE SCHEDULE FOR ACCOUNTS WITH CREDIT BALANCES

When the Credit Reserve Ratio is:

As Much As	But Less Than	Rate Schedules (%)	A	B	C	D	E
3.00		1 .10	0 .10	0 .10	0 .10	0 .10	0 .15
2.80	3 .00	1 .30	0 .30	0 .10	0 .10	0 .10	0 .15
2.60	2 .80	1 .50	0 .50	0 .10	0 .10	0 .10	0 .15
2.40	2 .60	1 .70	0 .70	0 .30	0 .10	0 .10	0 .20
2.20	2 .40	1 .90	1 .10	0 .70	0 .30	0 .30	0 .40
1.80	2 .00	2 .30	1 .30	0 .90	0 .50	0 .50	0 .60
1.60	1 .80	2 .50	1 .50	1 .10	0 .70	0 .70	0 .80
1.40	1 .40	2 .90	1 .90	1 .50	1 .10	1 .10	1 .20
1.00	1 .20	3 .10	2 .10	1 .70	1 .30	1 .30	1 .40
0.80	1 .00	3 .30	2 .50	2 .10	1 .70	1 .70	1 .80
0.40	0 .60	3 .70	2 .70	2 .30	1 .90	1 .90	2 .00
0.20	0 .40	3 .90	2 .90	2 .50	2 .10	2 .10	2 .20
0.00	0 .20	4 .10	3 .10	2 .70	2 .30	2 .30	2 .40

### B. Debit balance experience accounts

The experience account debit balance as of the computation date includes all timely contribution payments made for the quarter in which the computation date occurs, and is divided by the total payroll of the employer or predecessors for employment during the thirty-six (36) months immediately preceding the computation date. The debit ratio results from this calculation.

$$\text{Debit Reserve Ratio} = \frac{\text{Experience account debit balance as of computation date}}{\text{Total taxable wages paid by the employer or predecessors for Employment during the thirty-six (36) month immediately preceding the computation date}}$$

*Example Debit Ratio: Experience Balance divided by the 36 month payroll equals a ratio. The ratio is then applied to the applicable schedule listed below, and this is his rate for the next year effective 1-1-YY.*



### Rate Schedule for Accounts with Debit Balances

When the debit Reserve Ratio is:

As Much As	But Less Than	Rate Schedules (%)				
		A	B	C	D	E
	1.50	4.40	4.30	4.20	4.10	5.40
1.50	3.00	4.70	4.60	4.50	4.40	5.40
3.00	4.50	5.00	4.90	4.70	4.70	5.40
4.50	6.00	5.30	5.20	5.10	5.00	5.40
6.00		5.60	5.50	5.40	5.40	5.40

Employers with a debit balance account (UI benefits charged exceed the taxes collected) are evaluated and a tax rate is assigned in accordance with the rate schedule for accounts with debit balances. The tax rates will range from 4.4 percent to 5.6 percent for these employers, depending upon the schedule in effect for the year

In summary, the purpose of this information and the examples is to demonstrate how UI tax rates are determined.

#### **What will cause my rate to increase?**

For every employer covered by the Indiana Department of Workforce Development Act, DWD maintains a separate record, identified by an individual account number.

Each quarter your unemployment contribution, voluntary payment, or reimbursements to DWD for benefit overpayment, the amount is credited to your experience account balance. Charges made against your account are for unemployment insurance drawn by your former employees, or employees working reduced hours or on layoff. Unemployment payments are charged proportionately against the accounts of all base period employers.

An increase in contribution rate may occur if an employer's taxable wage has increased, or if the employer's experience balance has decreased due to benefit claims drawn against their account, or if a refund has been issued.

#### **What is a voluntary payment?**

Each year during the merit rate calculation process the employer is offered the opportunity to make an additional voluntary payment to obtain a lower tax rate. This is not offered to those employers that do not meet requirement A, B, and C, and those employers that have the lowest rate possible for the calculated year.





## **What is the Requirement C notice?**

Employers that do not meet Requirement C have two rates; a computed rate based on their experience balance and taxable payroll information, and a penalty rate based on the highest rate of the schedule for the year minus the computed rate.

No more than one percentage point of the rate is imposed as a penalty due, and the Requirement C employers' experience account balances are adjusted annually to deduct the penalty amount and deposit the penalty amount into the Special Employment and Training Fund.

The Employer received a Statement of Requirement "C" Penalty to assist in filing your Federal Unemployment Tax Return (FUTA) Form 940. The amount to be reported on your FUTA Form 940 is the Computed rate only and not the penalty amount (1%).



## **Mutualized Benefit Charge**

In 1990 the Indiana General Assembly amended IC 22-4-11 of the Employment and Training Services Act, establishing the Mutualized Benefit Charge (MBC). The MBC is a more equitable way of determining a company's share of benefits paid to any unemployed person when their former (base period) employer is not liable, that is, chargeable for the benefits.

### **What is a Mutualized Benefit Charge?**

The Mutualized Benefit Charge relieves your responsibility for benefit charges when an employee leaves employment voluntarily without good cause or was discharged for just cause as determined by the local Unemployment Insurance office.

Example: You had an employee who, according to the local UI office, quit or was justly fired. Six months later, this ex-employee gets laid off from another job and applies for unemployment benefits. Your company would be included in that claimant's "base period." Income earned during the base period, the last five full calendar quarters, determines the amount of benefits a claimant will receive.

Before July 1, 1991, your company's experience account would have been assessed for a share of the benefits. Now a mutual benefit pool account absorbs these debits instead of your account. Every calendar year, the total debits to the "Mutualized Benefit Charge Pool" will be proportionately assessed to the experience accounts of all covered employers.



## Identifying Individual Employer Contribution Rates

The unemployment insurance contribution rates for the following year are computed based on each employer's account status as of June 30--the computation date--and the past thirty-six (36) months payroll. In order to qualify for a merit rate or lower rate the following requirements must be met.

- D. (New Employer) The employer must have been covered by the Indiana Department of Workforce Development Act for thirty-six (36) consecutive months immediately preceding the computation date. If this requirement has not been met, the employer's rate cannot be less than 2.7%.
- E. The employer must have had some taxable or gross wages in each of the three (3) twelve-month periods immediately preceding the computation date. If this requirement is not met, the employer's rate cannot be less than 2.7%.
- F. The employer must file all required quarterly reports through the quarter immediately preceding the computation date, or pay the contributions, interest and/or penalty owed for these quarters within ten (10) days of the specific date requested by the Merit Rate Delinquency Notice, Form 1171, sent by certified mail. If this requirement is not met, the employer's rate shall not be less than 5.6%. This rate is divided into two parts, a computed tax rate and a penalty rate, which together equal 5.7 for the schedule "A". One percentage point of the rate, or the amount of the employer's payment that is attributable to the increase in the rate, whichever is less, is imposed as a penalty that is due. This is deposited into the Special Employment and Training Fund. When the total amount deposited into the fund exceeds \$1,500,000 during a program year, any additional amount collected is deposited in the unemployment insurance fund and credited pro rata to the experience accounts of the employers subject to the contribution.

Employers that meet the requirements A, B, or C then qualify for a system calculation based on their own merit and experience balance. Employers who fail to meet requirements A, B, or C are not eligible to make a voluntary payment.



## **Worker Training Fund**

### **What is the Worker Training Assessment?**

In 2001, the Indiana General Assembly passed a law (HB 1962) to provide a fund for Incumbent worker training and tasked the Indiana Department of Workforce Development with collecting this assessment. "Incumbent" workers are those individuals who are currently employed.

### **How is it funded?**

Employers are charged an assessment of .09% multiplied by their unemployment insurance (UI) taxable wages for the previous calendar year.

*Example: If an employer's previous calendar year taxable wage totals \$7,000, the assessment would be \$6.30.*

### **What impact did HB 1962 have on employers' UI tax rates?**

UI tax rate schedules A, B, C & D were reduced by .01%.

*Note: The Worker Training Assessment (HB1962) will not affect an employer's (UI) experience account.*

### **How often will the assessment be mailed?**

The law requires DWD to mail the assessment to employers on or before May 1<sup>st</sup> of each year. Payment of the assessment is due May 31<sup>st</sup> of that same year. If a balance is due, a follow-up assessment notice will be mailed to employers in November of that same year.

### **What will happen if the payment is postmarked after the due date?**

A one-time penalty fee of \$25.00 and an interest rate of 1% per month will be assessed.

### **Where should the payment and coupon for the assessment be mailed?**

Please make payable and mail to:  
Worker Training Fund  
PO Box 6285  
Indianapolis, IN 46206-6285

### **Will employer's adjustment of gross and taxable wages impact the assessment?**

YES, Employer will continue to use the current wage adjustment form SF44954. Reminder, this assessment is based on taxable wages only. The adjustment transaction will be processed through UI tax system then be fed automatically to worker training system.

### **What if I have additional questions or would like to apply for these funds?**

Please call the Indiana Department of Workforce Development at (317) 232-7436 or (800) 891-6499.

*Note: Hours of Operation are 8:00 AM 4:30PM, Monday – Friday*

For more information, visit our website at:

[http://www.in.gov/dwd/employers/grants\\_credits.html](http://www.in.gov/dwd/employers/grants_credits.html)



## Additional Employer Requirements

**Required display poster** If you are an employer covered by the Indiana Department of Workforce Development Act, you must display a poster where all employees can see it. If they request it, you must give employees information necessary for them to obtain their full rights and benefits under the law. Upon request, DWD will send you the appropriate information and a poster without charge. You can also download and posters in English and Spanish at [www.dwd.in.gov/information](http://www.dwd.in.gov/information) and click on Forms and Downloads.

### Retroactive

You are required to file a notice when you make a retroactive payment of income that would be deductible from unemployment insurance benefits. If you make such a payment to an individual who is claiming or has claimed benefits during the period covered by the retroactive payment, notify DWD immediately. Please show the week or weeks during which the retroactive payment and the unemployment insurance payment were concurrent. A letter or memo may be used to furnish this information.

## Records and Auditing

Employers in Indiana that are subject to the State Unemployment Insurance tax (SUTA) are required to keep accurate payroll and employment records. DWD field auditors may conduct periodic inspections of the records to ensure compliance with the FUTA and SUTA Regulations. These records must be open at all times for inspection and must be retained for at least the last five (5) years. Records must show:

- the name and Social Security number of each employee;
- the cash remuneration paid to each employee per calendar quarter; remuneration other than cash;
- the dates each employee worked and/or the date to which wages were last paid; the reason the employee left work;
- the reason for any lost time that affected wages;
- the amount earned by each employee, each calendar week;
- whether each week worked by each employee is a full or part-time week; and the base of operations of each employee.

Employer records and reports to DWD are confidential and are not published or open to the public for inspection.

## Voluntary Payment

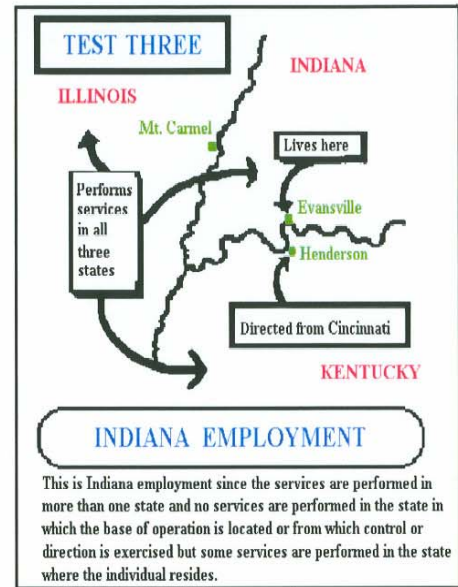
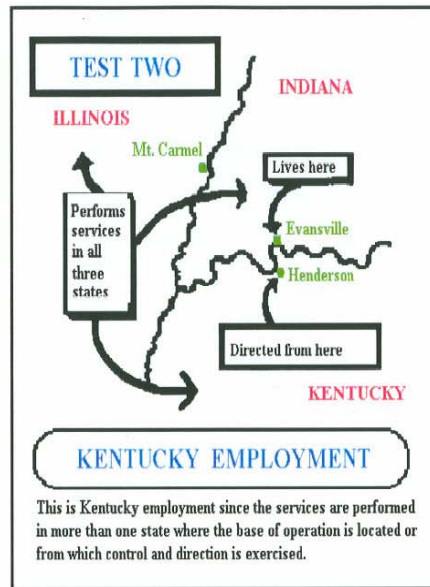
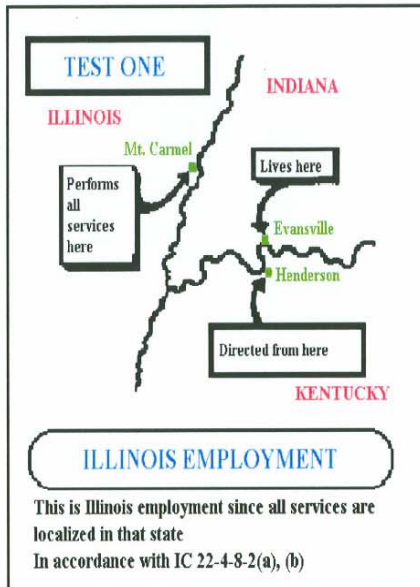
Each year during the merit rate calculation process the employer is offered the opportunity to make an additional voluntary payment which may be made by employer to obtain a lower tax rate. This is not offered to those employers that do not meet requirement A, B, and C, and those employers that Have the lowest rate possible for the calculated year.



## MULTI-STATE EMPLOYMENT

When an employee performs services in more than one state a determination must be made as to which state or states the employee earnings must be reported. In accordance with IC 224-8-2(a)-(e) and the U. S. Department of Labor Unemployment Insurance Program Letter No. 291 (July 1, 1952) the determination shall be made by applying the following test in the sequence indicated:

1. Is the individual's service localized in one state? If so, the employment is reportable to that state.
2. If the individual's service is not localized in anyone state, does the individual perform some service in the state in which the base of operations is located? If so, the employment is reportable to that state.
3. If the individual's service is not localized in anyone state and the individual does not perform any services in the state in which the base of operations is located, does the worker perform any service in the state from which their service is directed and controlled? If so, the employment is reportable to that state.
4. If none of the above criteria are met, in which state do they reside? The employment is reportable to the state in which the employee resides.



When an employee performs services in more than one state a determination must be made as to which state or states the employee earnings must be reported. In accordance with IC 22-4-8-2(a)-(e) and the U. S. Department of Labor Unemployment Insurance Program Letter No. 291 (July 1, 1952) the determination shall be made by applying the following tests in the sequence indicated:

1. Is the individual's service localized in one state? If so, the employment is reportable to that state.
2. If the individual's service is not localized in any one state, does the individual perform some service in the state in which the base of operations is located? If so, the employment is reportable to that state.
3. If the individual's service is not localized in any one state and the individual does not perform any services in the state in which the base of operations is located, does the worker perform any service in the state from which their service is directed and controlled? If so, the employment is reportable to that state.
4. If none of the above criteria are met, in which state do they reside? The employment is reportable to the state in which the employee resides.





INDIANA UI WAGE & EMPLOYMENT TAX CHART	
Special Classes of Employment and Special Types of Payments	Unemployment Insurance Taxable / Exempt
Advances against future earnings	Taxable
Agricultural Labor	If you have agricultural employees, and pay \$20,000 or more, in cash wages in a calendar quarter; or if you have 10 or more agricultural employees for some part of a day in each of 20 weeks during a calendar year.
Aliens, resident <ol style="list-style-type: none"> <li>1. Service performed in the U.S.</li> <li>2. Service performed outside U.S.</li> </ol>	Taxable  Exempt unless on or in connection with an American vessel or aircraft and either performed under contract made in U.S., or alien is employed on such vessel or aircraft when it touches U.S. port.
Annuities: Payments made by the employer into a fund for retirement or death benefits, under a plan offered to all employees or a class or classes of employees.	Exempt
Back Pay paid as a result of a dispute related to employment	Taxable
Bonuses	Taxable
Cafeteria plan deductions under IRS Section 125	Taxable - if the employee chooses cash. If the employee chooses another benefit, the treatment is the same as if the benefit was provided outside the plan.
Commissions	Taxable
Corporate Officer Payments: Corporate officers performing a service for the corporation (includes subchapter S corporations are employees)	Taxable
Cosmetologists or barbers: Who are licensed, contracts with a shop, is free from control and direction of the owner, owns or leases equipment, received payment from the clientele, and acknowledges in writing that their work is not covered by UI.	Exempt
Deceased worker: Wages paid to beneficiary or estate in year of worker's death.	Taxable
Deceased worker: Wages paid to beneficiary or estate after calendar year of worker's death.	Exempt
Deferred Compensation	Taxable
Dependent care assistance programs (limited to \$5,000; \$2,500 if married filing separately).	Exempt to the extent that it is reasonable to believe that amounts are excludable from gross income under section 129.
Disable worker's: Wages paid after year in which worker became entitled to disability insurance benefits under the Social Security Act.	Taxable
Director Fees: Fees paid to directors of a corporation for attending meetings of the board of directors	Taxable





Special Classes of Employment and Special Types of Payments	Unemployment Insurance Taxable / Exempt
<b>Employee Benefit Expense Reimbursement:</b>	
1. Amounts not exceeding specified government rate for per diem or standard mileage.	Exempt
2. Amounts in excess of specified government rate for per diem or standard mileage.	Taxable
<b>Family Employees:</b>	
1. Child employed by parent (or partnership in which each partner is a parent of the child)	Exempt - until age of 21
2. Spouse employed by sole proprietor	Exempt
3. Parent employed by child	Exempt
<b>Foreign Government or International Organization:</b>	Exempt
<b>Foreign service by US citizens:</b>	
1. As U. S. government employee.	Exempt
2. For foreign affiliates of American Employers and other private employers.	Exempt unless on American vessel or aircraft and work is performed under contract made in U. S. or worker is employed on vessel when it touches U. S. port.
<b>Holiday Pay</b>	Taxable
<b>Home workers (industrial, cottage industry):</b>	
1. Common law employees	Taxable
2. Statutory employees	Exempt
<b>Hospital employees:</b>	
1. Interns	Exempt
2. Patients	Exempt
<b>Household employees:</b>	
1. Domestic service in private homes, college clubs, fraternities, and sororities.	Taxable if total cash wages are \$1,000 or more (for all household employees) in any quarter in the current or preceding calendar year.
2. Domestic service in college clubs, fraternities, and sororities.	
<b>Insurance for employees:</b>	
1. Accident and health insurance premiums under a plan or system for employees and their dependents generally or for a class or classes of employees and their dependents.	Exempt
2. Group term life insurance costs.	Exempt
<b>Insurance agents or solicitors:</b>	
Full-time life insurance salesperson Other salesperson of life, casualty, etc., insurance	Taxable if employee under common law and not paid solely by commissions.
<b>Leave-sharing plans: Amounts paid to an employee under a leave-sharing plan.</b>	Taxable
<b>Limited Liability Companies (LLC's)</b>	
1. Payments to members of manager-managed LLC's	Taxable
<b>Newspaper carriers and vendors:</b>	Exempt
Newspaper carriers under age 18; newspaper and magazine vendors buying at fixed prices and retaining receipts from sales to customers.	
<b>Non-profit organizations.</b>	May be Taxable or Reimbursable
<b>Officers or shareholders of an S Corporation</b>	Taxable